

The standalone and resource-bundling effects of government and nongovernment institutional support on early internationalizing firms' performance

Abstract

Purpose – This study analyzed the individual and joint effects of institutional support by government and nongovernment institutions on early internationalizing firms' performance. It also investigated the moderating impact of firm age and size on the institutional support-firms' export performance relationships.

Design/methodology/approach – Data were collected from 705 early internationalizing firms in the apparel industry of Bangladesh and analyzed with hierarchical regression.

Findings – The positive influence of institutional support on exporting firms' financial performance is stronger for the joint effect of government and nongovernment assistance than the individual impact. Firms' size positively moderates the impact of individual government and nongovernment assistance, while age positively moderates their resource-bundling effect.

Research limitations/implications – The findings suggest the necessity of integrating resources from diverse but complementary sources of institutional support for superior export performance. The findings also show the presence of the liabilities of smallness and liabilities of newness in the standalone and joint influence of institutional support, respectively.

Practical implications – Firms need to bundle resources obtained from government (unrequited) and nongovernment (reciprocal) institutional support to overcome the liabilities of smallness they might encounter while availing of support from only one source.

Originality/value – Distinguishing between government and nongovernment institutional support, this paper sheds light on exporting firms' resource-bundling mechanism for these two sources of support in the backdrop of an emerging economy. It also offers fresh insights into the critical role of the liabilities of newness and smallness in early internationalization, especially with regard to home-country institutional environment.

1. Introduction

Early internationalizing firms (EIFs), also referred to as born-globals (Knight and Cavusgil, 2004) or international new ventures (INVs)ⁱ (Oviatt and McDougall, 1994), operate on an international scale at inception or within six years of inception (Oviatt and McDougall, 1997). However, early internationalization raises challenges with a triple liability: the liabilities of newness (Stinchcombe, 1965), smallness (Aldrich and Auster, 1986) and foreignness (Hymer, 1976). Firms encounter the liabilities of smallness because of their limited level of slack resources and potential inefficiencies in using these resources (Baert *et al.*, 2016). The challenges can be severe, particularly if a firm internationalizes early in its life cycle, a time when the firm lacks resources or experience to overcome the liabilities of newness and foreignness (Fernhaber *et al.*, 2008). As a result, firms that are able to acquire resources necessary for internationalization are better equipped to compete in foreign markets (Sui and Baum, 2014). Evidences suggest that to eliminate the obstacles associated with early internationalization, EIFs accumulate, leverage and integrate different types of internal and external resources. According to Cavusgil and Knight (2015, p.6), “Operating under conditions of *asset parsimony*, these young companies appear to overcome such deficiencies by leveraging unique capabilities and strengths – a high degree of entrepreneurial orientation, persistence, innovation, and differentiated offerings.” Successful initiation and operation of business operations abroad involves leveraging available internal as well as external resources (Fernández and Nieto, 2005). Combining resources, knowledge and experience can result in early or rapid internationalization (Antoldi *et al.*, 2011). Apart from entrepreneurial and firm-specific resources, institutional factors are noted to have substantial effect on the early phase of international entrepreneurial activities of smaller firms (Oparaocha, 2015), particularly on the speed of internationalization of EIFs (Ahmed and Brennan, 2019a).

EIFs can deal with the internal resource constraints by obtaining critical resources from export promotion programs (EPPs) (Faroque and Takahashi, 2015). With EPPs as resource supplements (Leonidou *et al.*, 2011), firms can create or develop foreign networks, hire employees with international experience, and develop business plans based on a much more sophisticated analysis of international markets, which in turn can facilitate firms’ export market entry and expansion, and improve their overall export performance (Demick and O’Reilly, 2000; Lages and Montgomery, 2005). Although extant literature analyzed the relationship between export assistance and firms’ performance, the findings are largely inconclusive. Some studies found a significant positive effect of export support (e.g., Ali and Shamsuddoha, 2014; Durmuşoğlu *et al.*, 2012; Gillespie and Riddle 2004; Freixanet, 2012; Sousa and Bradley 2009; Wilkinson and Brouthers, 2006), while some reported a non-significant relationship or a mixed result (e.g., Catanzaro *et al.*, 2019; Faroque and Takahashi, 2015; Freixanet and Churakova, 2018; Njinyah, 2018; Quaye *et al.*, 2017). The inconclusive findings have initiated further research to examine the indirect relationship, mediated (e.g., Faroque and Takahashi, 2012; Haddoud *et al.*, 2017; Lages and Montgomery, 2005; Sharma *et al.*, 2018) or moderated by other variables (e.g., D’Angelo and Buck, 2019; LiPuma *et al.*, 2013). Almost all these studies investigated the role of government or state-supported EPPs in firms’ export performance, leaving out the significant role of nongovernment support measures.

In developing economies, government is the major source of institutional support to help firms build their export competitiveness (Charoensukmongkol, 2016; Njinyah, 2018). Nevertheless, as the government institutions in these countries are typically inefficient and bureaucratic (Aeeni *et al.*, 2019; Krammer *et al.*, 2018; Manolopoulos *et al.*, 2018), assistance by nongovernment institutions might play an important role in firms’ early internationalization.

Institutions incorporating government agencies, nongovernment organizations, not-for-profit organizations, and business firms possess heterogeneous resources important to export involvement and activities (Awuah and Amal, 2011). This implies that export initiatives and performance benefit not only from government institutions, but also from quasi-government and private institutions. For example, in a study of three emerging countries, Cardoza *et al.* (2016) showed that, along with government assistance, private sources of funding are important drivers for international expansion of firms, particularly small and medium-sized enterprises (SMEs). Hoque *et al.* (2016) and Hoque *et al.* (2021), in studies based on readymade garment (RMG) firms in Bangladesh, found that small enterprises lack access to buyers' tacit knowledge and thus depend on locally available knowledge sources, i.e., government and nongovernment institutions, for economic upgrading. Despite exporting firms' resort to nongovernment institutional support (in addition to the support provided by the government), international entrepreneurship (IE) literature has forsaken the contribution of this category of export assistance (Faroque and Takhashi, 2012). Further, international business (IB) research investigating the impact of institutional support on firms' internationalization has mostly focused on destination-market institutions, and thus the role of home-country institutions remains less understood (Manolopoulos *et al.*, 2018; Yan *et al.*, 2018). To fill the void, this paper aims to analyze the effects of nongovernment institutional support, individually and jointly with public EPPs, on EIFs' export performance.

The second objective of this study is to investigate the moderating effect of firm age and size on the institutional support-firm performance relationships. Firm's age and size have lost priority in IE literature because of the ability of EIFs to go global at their commencement. The firms that internationalize early are expected to show superior growth rates due to the learning advantage of newness (LAN) (Autio *et al.*, 2000). On the contrary, according to time compression diseconomies (Dierickx and Cool, 1989), young firms need time to assimilate enormous volume of information and knowledge when they start internationalization (Casillas *et al.*, 2020). Combining both, this study argues that the phenomenon of LAN does not neutralize the role of the liabilities of smallness and newness in early internationalization. EIFs are often characterized with being relatively young and small, which can highly increase their risk of potential failure (D'Angelo and Buck, 2019). SMEs are at a disadvantage owing to their lack of tangible and intangible resources (Cavusgil *et al.*, 2014; Falahat *et al.*, 2020; Haddoud *et al.*, 2017; Hollender *et al.*, 2017). Empirical research also found that the impacts of institutional support (in the form of export assistance) vary among exporting firms based on their size and age (e.g., Chen *et al.*, 2016; Lipuma *et al.*, 2013; Ngo *et al.*, 2016).

The study analyzes three research questions: 1. What is the standalone effect of institutional support by government and nongovernment entities on EIFs' export performance? 2. What is the resource-orchestration impact of institutional support (the joint effect of the export assistance from government and nongovernment institutions) on EIFs' export performance? 3. What moderating role do firm age and size play in the relationships between institutional support and firms' export performance? Building on the resource-based view (RBV) (Barney, 1991; Barney, 2001) and institutional-based view (IBV) (Peng *et al.*, 2008; Peng *et al.*, 2009), this study hypothesized the relationships. It explained the resource-bundling effect of the two different sources of institutional support with the resource orchestration (RO) framework (Sirmon *et al.*, 2007; Sirmon *et al.*, 2011), arguing that in addition to acquiring resources from government and nongovernment institutions, exporting firms need to bundle these resources in unique combinations to unlock their potential advantages (e.g., Adegbesan, 2009).

The sample was drawn from 705 EIFs in the RMG industry of Bangladesh, an emerging market in South Asia (Faroque, 2015). The hypotheses were tested with hierarchical regression analysis. The results show that, while government and nongovernment assistance have significant positive effects on firms' export performance, individually and jointly, the combined impact of institutional support is much stronger than their individual influence. The results also show that, while firm age plays a positive moderating role in the resource-bundling effect, firm size is a positive moderator in the standalone impact of government and nongovernment support.

This study offers the following contributions. First, the theoretical framework, built on the integration of the IBV with the RBV, suggests that nongovernment institutions should be considered complementary to government institutions for firms' greater export performance. Hence, the study contributes to both IB and IE literature by differentiating between export assistance from government and nongovernment institutions in the domestic environment, and, more importantly, shedding light on the resource-bundling mechanism of complementary sources of institutional support. A sole focus on the value creation potentials of public EPPs offers an incomplete understanding of the performance implications of EIFs' resource portfolios originating from both government and nongovernment assistance. Second, by investigating the moderating role of firms' age and size, this study offers fresh insights into the influence of the liabilities of newness and smallness on early internationalization, especially with regard to home-country institutional environment. By so doing, it directly responds to Freixanet and Churakova's (2018) call for future research with firm heterogeneity factors, such as size and age, that may potentially moderate the effects of export assistance. The study also addresses the recent research call (e.g., Ahmed and Brennan, 2019a; Yan et al., 2018) to examine the effect of institutional factors on firms' internationalization in the context of developing and emerging economies.

The paper continues by presenting a brief overview of the institutional support offered to the apparel exporting firms in Bangladesh. After that, the theoretical framework, hypothesis development, research methods, and analysis and results are discussed. Finally, the discussion, academic and practical implications are presented, followed by the limitations and directions for future research.

2. Institutional support to RMG exporters in Bangladesh

Government support. The government offers various financial supports, for instance, duty free import of machinery; bonded warehouse facilities; back-to-back L/C scheme; duty drawback; rationalization of tariffs and taxes on import of raw materials, dyes and chemicals; cash subsidy and income tax rebate on export earnings (Ahmed and Brennan, 2019a). In addition, public banks offer short- and long-term credits and guarantees. The Export Development Fund, created in 1989, intends to facilitate financing in foreign currency for input procurements by manufacturer-exporters (BGMEA, 2020a). The Export processing Zones (EPZs) provide various incentives like full exemption of income taxes to export-oriented firms at the early stages (Bangladesh Bank, 2020a). Exporters can also use retention quota of their repatriated export income for setting up offices in foreign countries to facilitate marketing and input sourcing activities (Kazemi, 2015). RMG and garment accessories firms receive assistance in manufacturing and marketing in the form of seminars and workshops from public agencies. Further, the Export Promotion Bureau (EPB) works as a key agent to develop and promote the export sectors. The Trade Information Center (TIC), one of the information divisions of the EPB, maintains an extensive library to house recent trade directory, statistical

data, and market survey of different countries, as well as publication from the WTO, World Bank and other trade-related institutes (EPB, 2020). The TIC facilities locating potential buyers by using international database, which helps the exporters overcome their uncertainties regarding exporting to a particular country. The EPB explores potential markets by organizing and participating in international trade fairs and exhibitions. Overseas missions also aid in organizing international exhibitions and single-country trade fairs.

Nongovernment support. Private banks and non-banking financial institutions offer loans, guarantees and insurance to the RMG industry, following directives of the central bank (e.g., Bangladesh Bank, 2020b). Two exporters' associations, Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), offer mainly marketing support to their members. Since its inception in 1983, the BGMEA aims to promote the apparel industry through policy advocacy to the government (BGMEA, 2020b). It also fosters relationship between the local exporters and international buyers by arranging and participating in fairs and exhibitions. The BKMEA, commencing its journey in 1996, offers informational assistance by providing market analysis and updates on contemporary global business trends (BKMEA, 2020). Sometimes exhibitions and other market promotion activities are arranged jointly by the government and exporters' associations. Moreover, trading agents, known as buying houses, contribute significantly to the development of RMG industry by providing informational, technical and other supports to exporting firms (Faroque and Takhashi, 2012). The BGMEA has listed about 1,000 trading agents who identify and select suppliers based on their level of compliance with buyers' preferences (Sinkovics *et al.*, 2018). Overseas buyers also play an important role by occasionally providing necessary information, technical and training assistance for exporting. However, small RMG firms might only have access to buyers' explicit/codified knowledge (Hoque *et al.*, 2021). To compensate for their lack of access to buyers' tacit knowledge, these firms obtain technological know-how and tacit marketing knowledge from local sources, such as government and nongovernment institutions, along with internal sources like firms' own experience of repeat transactions with specific buyers (Hoque *et al.*, 2016).

3. Theoretical framework

According to the RBV (Barney, 1991; Barney, 2001), having access to valuable, rare and inimitable resources is essential to develop sustainable competitive advantages. Extending the RBV, the RO perspective (Sirmon *et al.*, 2007; Sirmon *et al.*, 2011) proposes that having such resources is necessary but not sufficient to build competitive advantages and generate above-average returns (Baert *et al.*, 2016; Priem and Butler, 2001). Firms need to assemble, integrate and combine various resources and competenciesⁱⁱ to create values (Symeonidou and Nicolaou, 2018). As such, competitive advantages emerge from creating unique combinations of different resources (Adegbesan, 2009). According to the concept of complementary resources (Teece, 1986), firms should combine multiple resources rather than exploiting a single one to gain a competitive position in the marketplace. Resources are considered complementary when the marginal return from one resource increases in the presence of the other (Dyer *et al.*, 2018). However, instead of concentrating on resource complementarities, this study focused on the other side of the coin: resource bundling, i.e., entrepreneurial-managerial activities including acquisition, development, accumulation and usage of resources (Symeonidou and Nicolaou, 2018; Wiklund and Shepherd, 2009) to realize the potential value of the complementarities. While this study agrees with prior research that resource complementarities can benefit firms' export performance (e.g., Chabowski *et al.*, 2018; Yi *et*

al., 2013), it also considers that the effectiveness of the resource endowment to generate performance may depend on the extent to which these resources are orchestrated.

Despite its valuable insights, the RBV has not looked beyond the properties of resource and resource selection, thereby neglecting the role of contextual factors like home-country institutions (Manolopoulos *et al.*, 2018). The IBV provides a solid theoretical lens to explain the critical influence of institutions on export performance of firms (Haddoud *et al.*, 2017), particularly of EIFs (Ahmed and Brennan, 2019a). Institutions are defined as “the rules of the game in a society” (North, 1990, p.3) and classified as formal and informal (Peng *et al.*, 2008; North, 2005). While the formal aspects include legal, regulative and political policies, the informal institutions incorporate cultural, normative and ethical aspects (North, 2005). As an important component of formal institutions, regulatory dimensions of institutions, particularly governmental policies, are argued to be vital to the establishment of new ventures, development of new technologies, and supportive of internationalization or innovation-based growth (Volchek *et al.*, 2013). One of the fundamental functions of formal institutions is to promote productive behavior through the use of incentives (North, 1990), which may take the form of both financial and non-financial business development assistance originated from either the government, private sector, or both (Roxas *et al.*, 2007). Although both formal and informal sources are crucial to firm performance (Muralidharan and Pathak, 2017; Peng *et al.*, 2009), this study concentrated on formal institutions considering that institutional research on entrepreneurship narrowly focused on informal institutions; in particular, prior studies on emerging markets in Asia predominantly investigated the impact of the social and cultural dynamics of these countries (Zhang *et al.*, 2017). This study categorized institutions entailing formal rules and regulations (Manolopoulos *et al.*, 2018; Li *et al.*, 2019) into government and nongovernment sources of institutional support.

Institutions plays an important role by shaping firms’ strategic decisions, especially those linked to resources and capabilities for competing in foreign markets (Ipek and Tanyeri, 2020; Zhang *et al.*, 2017), and thus affects performance (Peng *et al.*, 2008; Peng *et al.*, 2009). Every economy has a unique institutional environment which significantly influences entrepreneurial perceptions and decision-making (Manolopoulos *et al.*, 2018). In line with the IBV, this study considers that an internationalizing firm’s performance is determined not only by its core resources but also by the external resources obtained from the institutional environment. Founders’ and/or top management teams’ international entrepreneurial orientation, prior entrepreneurial and international experiences, knowledge, skills and social networks have been documented as EIFs’ key organizational resources (cf. Ahmed and Brennan, 2019b, 2019c; Kuivalainen *et al.*, 2007; McDougall *et al.*, 2003; Zhou *et al.*, 2007). In addition, organizational learning, innovative, high-quality and/or differentiated products and services offerings, strategic alliances and strategic orientations are some critical capabilities of EIFs which they often leverage to their early internationalization pursuit and to sustain competitive advantages (cf. Acedo and Jones, 2007; Bell *et al.*, 2003; Knight and Cavusgil, 2004; Weerawardena *et al.*, 2007). Further, institutional support serves as a resource supplement (Leonidou *et al.*, 2011) by providing exporting firms access to additional resources, such as market information, financial support and business contacts (Oparaocha, 2015). As a result, the resources “that reside in the firm’s institutional environment” (Lu *et al.*, 2010: p.422) was termed as institutional capital.

The IBV offers useful insights to understand firms’ international performance, especially in the backdrop of emerging markets (Peng *et al.*, 2008). There seems no disagreement on the existence of the considerable differences between developing/emerging

economies, and developed economies in terms of their institutional features. An emerging economy has weak institutional frameworks characterized by institutional voids (a lack of market-supporting institutions), instability or inconsistency in institutional forces (Aeeni *et al.*, 2019), non-transparent regulations, under-developed capital and labor markets, higher informality, along with resource scarcities (Krammer *et al.*, 2018). Although weak institutions, a defining feature of developing countries, have implications for export activities, EPPs are designed and provided to firms to compensate for difficulties stemming from weak institutions (Ahmed and Brennan, 2019a). In particular, government's role in less-developed countries is argued to be essential to enhance local firms' international competitiveness (Awuah and Amal, 2011).

While institutions play an influential role by driving or inhibiting a firm's international expansion in the context of emerging markets, the effects of institutional support could be heterogeneous among exporting firms because their internal resources and capabilities vary (Li *et al.*, 2019). Domestic institutions have an indirect impact on firm performance through interaction with firm resources, along with a direct impact (Manolopoulos *et al.*, 2018). To gauge the level of EIFs' resources and capabilities, this study incorporated two firm-level factors, age and size, in the analysis.

4. Hypothesis development

4.1 Individual effects of institutional support

This study defined institutional support as all measures that assist firms to develop competitiveness during the initial and later stages of internationalization (e.g., Gençtürk and Kotabe, 2001; Leonidou *et al.*, 2011). Empirical evidences supported that, institutional interactions would facilitate acquisition of tangible resources, like financial capital, raw materials, machinery, etc., as well as intangible resources, such as market knowledge, skills and expertise (Haddoud *et al.*, 2017).

Government offers financial assistance in the form of tax-free import, duty draw back scheme, tax rebate, direct subsidy, export credit, lower interest rate and guarantee requirement, and special fund (Faroque and Takahashi, 2015; Freixanet and Churakova, 2018; Wang *et al.*, 2017). Though financial assistance can help a firm reduce operating costs and become more profitable and efficient in its export activities (Gençtürk and Kotabe 2001), recent studies have reported inconclusive findings for the relationship between financial incentives and firm performance (e.g., Catanzaro *et al.*, 2019; Quaye *et al.*, 2017). In addition to financial assistance, government offers marketing support which can be further divided into (a) experiential: foreign office, foreign trade mission, and trade exhibition and fair (Haddoud *et al.*, 2018; Ali and Shamsuddoha, 2014), and (b) informational: training session, workshop and seminar (Catanzaro *et al.*, 2019; Freixanet and Churakova, 2018). Experiential support, creating a platform for direct contacts with foreign markets and buyers, can be more effective than informational (Haddoud *et al.*, 2017). This type of support is extremely valuable to apparel manufacturers and exporters since they need to physically present clothing samples to potential clients for testing (Drake and Kalafsky, 2011). Despite the benefits of export marketing assistance, empirical research investigating the impact of such support on firms' performance reported mixed results (e.g., Faroque and Takahashi, 2015; Freixanet, 2012; Freixanet and Churakova, 2018; Haddoud *et al.*, 2018).

Support from nongovernment institutions, such as agents, distributors, suppliers, business associations and private banks, positively influences firms' export performance (Sousa *et al.*, 2008). Private banks and insurance companies offer reduced interest rates for loans and guarantees (Faroque and Takhashi, 2012). Long-term collaborative relationships with buying houses are an essential source of information on markets, production technology, product quality and delivery standards in foreign countries. A buying house or an agent works as the mediator between overseas buyers and local sellers; it monitors and facilitates activities between the two parties. Buying agents for large retailers seek manufacturers who can meet the demand of the supply chain, like tight delivery deadlines, flexible order fulfillment, and adoption of the necessary technology to support operations. In a market dominated by large retailers with globally-extended supply chains, buying agents have the power to transmit, if not dictate, a common set of supply chain management systems to potential suppliers across the world (Cammett, 2006). Nonetheless, the role of buying houses as a prime actor in global apparel supply chain has received scant attention in export assistance research.

Finally, business or industry associations offer export support which may overlap with government EPPs (Wilkinson and Brouthers, 2006). These associations have positive effects on the internationalization of SMEs by providing important resources not only during the initial stage of exporting but in a continuous manner (Costa *et al.*, 2017). They try to develop stronger collaboration among the members (Wang and Gooderham, 2014), and create an improved level of compliance with legislations and lower administrative costs (Costa *et al.*, 2017). Although public EPPs represent easily accessible resources (Geldres-Weiss and Carrasco-Roa, 2016) and assist firms to overcome the barriers to internationalization (Oparaocha, 2015), the weak institutional environment in an emerging country obstructs the efficient allocation of government support (Charoensukmongkol, 2016). Further, support from a single source might not be adequate to meet firms' varying resource requirements throughout the dynamics of their internationalization process. Therefore, the baseline hypotheses propose that,

H1: Government institutional support has a positive effect on EIFs' export performance.

H2: Nongovernment institutional support has a positive effect on EIFs' export performance.

4.2 Resource-bundling effects of institutional support

Resources must be accumulated, combined and exploited to unlock their value creating potentials (Sirmon *et al.*, 2007). As a firm builds resource bases, it must bundle different sets of resources to create capabilities required to perform the tasks important to achieve its strategic goals (Carnes *et al.*, 2017). RO is the process of "structuring the firm's resource portfolio, bundling the resources to build capabilities, and leveraging those capabilities to create value" (Symeonidou and Nicolaou, 2018, p.199). Empirical evidences suggest that entrepreneurs need to orchestrate resources to support their nascent business model under uncertain environment conditions (e.g., Baert *et al.*, 2016; Frankenberger and Stam, 2020). Firms' resource-bundling ability relates to combining resources to improve existing capabilities through minor or significant changes and creating new capabilities (Badrinarayanan *et al.*, 2019).

The value creating potential of a firm's external resources depends on the capability of the firm to create productive resource combinations (Wiklund and Shepherd, 2009). Complementary resources allow firms to develop new resources and new combinations of resources (e.g., Russo and Cesarani, 2017). Resources from government and nongovernment

institutions are complementary in the sense that, when bundled together, they enhance each other's positive effects on firm performance. Hence, in addition to their individual positive influence, these two sources of institutional support will jointly have a positive resource-bundling impact on a firm's export performance. In other words, government institutional support will bring limited benefits to EIFs unless they put deliberate efforts into obtaining resources from different institutions. Financial capital from government and nongovernment sources will be absorbed in the production and delivery processes. Government institutions offer financial incentives (e.g., tax-free facility on importing raw materials) which will lower the manufacturing costs. Nongovernment financial institutions provide loans, guarantees and insurance facilities, which also lower the production costs. Buying houses offer guidance for documentation, provide technical support, and undertake other export-related procedures. In the absence of market-supporting institutions, firms in emerging economies also benefit from their links with domestic trade associations and professional bodies, which can provide intelligence about different foreign markets and access to those markets (He and Wei, 2013). As a result, an integrated resource-bundling effort by EIFs is essential to reap benefits from the resources acquired from the two sources.

Furthermore, the nature and philosophy of these two sources of institutional support is different (Seringhaus and Botschen, 1991): while public EPPs are static, systemic and unrequited, non-government support is reciprocal and more relational. Nonetheless, government assistance can assist exporting firms to build their capability of developing networks with other institutions (Haddoud *et al.*, 2017)ⁱⁱⁱ, which may facilitate higher flow of institutional capital. By acquiring foreign market knowledge through institutional support, firms can develop an enhanced understanding of complementary resource requirements in the target export markets at present and in the future, which will contribute to the integration and reconfiguration of different resources for more efficient decision-making. Therefore, the performance advantage becomes synergistic when firms bundle unrequited government support with reciprocal nongovernment assistance to create new resource combinations for the same purpose of superior export performance. In line with the arguments, hypothesis 3 was formed.

H3: Resource orchestration, i.e., resource bundling of diverse sources of institutional support (government and nongovernment), has positive effects on EIFs' export performance.

4.3 Influence of firm size on accessing and using institutional support

Firm size is a common indicator of the availability of slack resources (Mudambi and Zahra, 2007). Small firms often lack financial and managerial resources and the capabilities to effectively exploit these resources (Hollender *et al.*, 2017). Lack of information and knowledge about exporting and foreign markets is considered as a major barrier for small firms at both the initial and continuation phases of internationalization (Haddoud *et al.*, 2018). Small exporting firms also confront more barriers in acquiring foreign market information (Alvarez, 2004; Wagner, 2007). Nonetheless, as small enterprises are dynamic, adaptable and flexible (Núñez-Pomar *et al.*, 2016), they are expected to internationalize early and rapidly. Resources from the external environment can mitigate exporting firms' resource deficiencies and thus contribute to their performance advantages (LiPuma *et al.*, 2013). Public EPPs are, in fact, a cost-efficient means to early internationalization because they are offered for free or at a nominal charge (Catanzaro *et al.*, 2019). They serve as an alternative to the investment necessary to create and maintain a firm's internal skills and expertise (Gençtürk and Kotabe, 2001).

Smaller firms are expected to rely more on government export support than large enterprises because such assistance is specifically designed for resource-constrained firms. For example, SMEs can gain experiential knowledge from market-development EPPs (Shamsuddoha *et al.*, 2009). On the other hand, the typical bureaucratic and inefficient nature of the public institutions in a developing economy creates obstacles for firms, especially for SMEs (Charoensukmongkol, 2016; Krammer *et al.*, 2018). Ngo *et al.* (2016) found that larger exporting firms receive more benefits from domestic institutions than smaller enterprises since the former have greater resources and capabilities to exploit opportunities and manage challenges in the institutional environment. Although the government of Bangladesh offers a variety of financial incentives, smaller firms face challenges, such as a high level of bureaucracy in public agencies, difficulties in acquiring funds from financial institutions and a low level of R&D expenditures (Ahmed and Brennan, 2019a). **Given that bank loans are approved based on a firms' order quantity and export volume, large enterprises in Bangladesh gain easier access to capital (Sinkovics *et al.*, 2018).** Due to their significant contribution to the economic development and employment generation of a country (Li and Sun, 2017), large firms get ready and favorable access to resources controlled by the government (Li and Zhang, 2007). As a result, performance benefits from government institutional support will be higher in large-sized EIFs than in small ones.

In addition, export assistance by nongovernment institutions can become more accessible as firm size increases. To receive government support, especially the financial incentives, exporting firms need to fulfil certain requirements and thus institutional relationship building may not be vital. Nevertheless, to receive support from nongovernment institutions (e.g., private banks and insurance companies), firms need to develop long-term relationships based on solid trust and mutual benefits. Large firms have greater expertise and knowledge, along with more human resource (Ngo *et al.*, 2016), to manage the resources obtained through institutional relationships. Therefore, the positive association between nongovernment institutional support and firms' export performance will be stronger for larger EIFs operating in a weak institutional context of the home-country.

H4: EIFs' size will strengthen the relationship between government institutional support and their export performance (expecting that the effect will be stronger for larger firms than for smaller ones).

H5: EIFs' size will strengthen the relationship between nongovernment institutional support and their export performance (expecting that the effect will be stronger for larger firms than for smaller ones).

4.4 Influence of firm age on accessing and using institutional support

Internationalization is risky for new ventures because it requires considerable slack resources (Zahra *et al.*, 2018). Starting to export might require a substantial initial investment, such as preparing export documents, developing foreign market knowledge, translating promotion materials, etc. (Alvarez, 2004). Young exporting firms are in a disadvantaged position owing to their limited financial capital, human resource and legitimacy (Bembom and Schwens, 2018). The influence of export barriers and thus the marketing cost of exporting, establishing contacts with prospective buyers and other network partners, and building relationships vary with firm's age (Kneller and Pisu, 2007). Old firms possess greater knowledge and experience that are developed over time (Li and Sun, 2017). On the contrary, young firms confront fewer competency traps (Zahra *et al.*, 2018) as they have a higher ability

to assimilate new information, without the need to unlearn previous routines, processes or behaviors (Autio *et al.*, 2000; Cavusgil and Knight, 2015). Since they are not plagued by established routines and structures, they can be more agile to reconfigure resources and capabilities in order to position themselves successfully in the target foreign markets. However, the rapid commencement of internationalization by these firms requires a large volume of information and knowledge to be assimilated, thereby posing the challenge of absorbing them over a short time period. Casillas *et al.* (2020) argued that, rapid internationalization creates increasing coordination requirements and thus strains managerial resources.

Government institutional support should be more effective in the initial stage of internationalization since newly-founded firms need higher support, training and information to become competitive in foreign markets (Francis and Collins-Dodd, 2004; Freixanet, 2012; Knight and Liesch, 2016). An EIF's dependency on public marketing EPPs is expected to diminish over time because government institutions usually do not have the latest information that can strengthen and extend the firm's knowledge base (Faroque and Takhashi, 2012). On the other hand, Ngo *et al.* (2016) argued that both young and old firms can take advantages of government EPPs, but the latter type of enterprises will realize higher benefits as they are more skilled to cope with the nuances of the domestic institutional environment. Even though old enterprises develop internal resources and capabilities, they require information, contacts and technical support to expand to new foreign markets (Freixanet, 2012).

Older firms can have higher access to the institutional capital from nongovernment institutions, too. As explained earlier, acquiring nongovernment support requires relationship building capabilities. Young firms, possessing weak market power, need to establish legitimacy in the eyes of various stakeholders, including the officials of formal institutions (e.g., Carnes *et al.*, 2017). Relationship ties at firm-level could be very limited and underdeveloped for young EIFs (Jiang *et al.*, 2020), while they can develop long-term institutional relationships over time (Li and Sun, 2017), so age can mark firms' level of relationships (Malca *et al.*, 2020). Older firms need to concentrate on developing skills in accessing and building relationships with different partners like trade associations to foster continued growth (Sirmon *et al.*, 2011). Further, these firms have access to more diverse sources of financial capital and also develop the capabilities to use them effectively (Wright and Stigliani, 2013). Based on this discussion, the next set of hypotheses was formed.

H6: EIFs' age will strengthen the relationship between government institutional support and their export performance (expecting that the effect will be stronger for older firms compared to newly-founded firms).

H7: EIFs' age will strengthen the relationship between nongovernment institutional support and their export performance (expecting that the effect will be stronger for older firms compared to newly-founded firms).

4.5 Moderating impacts of firms' size and age on RO

Wales *et al.* (2013) found that RO will allow smaller firms to overcome the liabilities of smallness. Since small enterprises typically face resource constraints, gaining access to diverse sources of institutional support to acquire and bundle external resources are more essential for them than their large counterparts. Contrarywise, large firms emphasize on making incremental adjustments to their resource base instead of rapid accumulation and assimilation of resources (Carnes *et al.*, 2017). According to Li *et al.* (2012, p.542), large firms "lose the

organizational advantages of nimbleness, flexibility and responsiveness, and gain disadvantages of bureaucracy and inertia.” As a firm’s size increases, its resource-combination activities will shift toward structuring the organization, such as implementing formalized procedures and adding a managerial hierarchy (Daily and Dalton, 1992). Complex organizational structure and inertia existing in large enterprises might reduce the speed of bundling different resources into new and productive resource combinations.

Furthermore, a firm’s life-cycle stages affect the manner in which the owner-managers orchestrate resources (Carnes *et al.*, 2017). In the early stage of internationalization, a firm needs various resources, such as financing capital, human resource and foreign market knowledge to implement its export strategies, so the firm focuses on structuring its resource portfolio as the foundation for subsequent resource bundling (Sirmon *et al.*, 2011). Young firms must create new resources (Catanzaro *et al.*, 2019) and utilize them for the creation of new capabilities (Carnes *et al.*, 2017). The LAN enjoyed by these firms is originated in part in their capacity to develop more flexible resource combinations (Casillas *et al.*, 2020). Nevertheless, Zhou and Wu (2014) found that young EIFs’ performance advantage of newness will diminish over time. In older firms, information becomes increasingly internalized through organizational practices, routines and knowledge sources (Autio *et al.*, 2000). Flexibility or openness to new knowledge, particularly that originating outside the enterprise, could diminish with firm age as organizational rigidities develop (Love *et al.*, 2016). Therefore, as EIFs grow, their competency of resource bundling for diverse sources of institutional support will diminish, which in turn will make the RO’s influence less effective on their performance. Based on the same ground, the last set of hypotheses posits that,

H8: The resource-bundling effect of institutional support on EIFs’ export performance will be dampened with their size (expecting that the effect will be less for larger firms compared to smaller ones).

H9: The resource-bundling effect of institutional support on EIFs’ export performance will be dampened with their age (expecting that the effect will be less for older firms compared to newly-founded firms).

The conceptual framework and the hypotheses are presented in Figure 1.

[Insert Figure 1 about here]

5. Research methods

5.1 Sample and data collection

Primary data were collected from a sample of exporting firms in the RMG industry of Bangladesh. The industry is an ideal context for IB research, especially for investigating the impact of institutional support for the following reasons: Bangladesh is the third largest apparel exporter in the world (Statista, 2019), with its RMG sectors generating more than 80% of the total export earnings (Khan, 2021); the government of Bangladesh has offered a large number of policy initiatives and support schemes that help the industry flourish (Ahmed and Brennan, 2019b). Firms in the industry are born exporters as required by the law to avail of the assistance provided by the government (Faroque *et al.*, 2021a). Past research focusing on the internationalization and export performance of apparel firms in Bangladesh has predominantly selected sample firms from two associations, the BGMEA and the BKMEA (e.g., Ahmed and

Brennan, 2019a; Ahmed and Brennan, 2019b; Faroque *et al.*, 2021a, etc.). This study, too, draw the sample from these associations' directories. From over 4,000 apparel exporting firms listed as the members of the BGMEA and the BKMEA, every third firm in the list was randomly selected, which resulted in 1,000 sample firms. 718 completed questionnaires yielded a response rate of approximately 72%. Lastly, questionnaires with missing values were dropped resulting in 705 valid questionnaires.

This research used several techniques to maximize the response rate (Forza, 2002). First, a forwarding letter from the management of the BGMEA and the BKMEA with a request to cooperate with the researchers was obtained. Face-to-face survey method was administered to increase data validity (Yamakawa *et al.*, 2013). Given the large scale of the survey, a research team familiar with such a research method and having prior experience in collecting data from the apparel industry of Bangladesh, was employed (Faroque, 2015). The data collection process was supervised by the lead author of the study. The other authors called a small number of respondents randomly every week to confirm that the research assistants had visited them and collected data properly. Data collection took place over five months, whereas each survey lasted for twenty minutes on average.

The structured questionnaire for the survey was developed following previous export promotion and internationalization research. The content and face validity of the items was assessed by two academic researchers in the field. The questionnaire was revised to address their comments. It was then pretested on a sample of twelve senior executives involved in export operations. The final questionnaire was developed with some minor changes. Response for the dependent and independent variables was collected using a seven-point Likert scale.

5.2 Measures

Institutional support. Institutional support is conceptualized as government and nongovernment export assistance. Government support is measured by two items: financial and marketing EPPs (Shamsuddoha *et al.*, 2009). Financial support included tax-free import, duty drawback scheme, tax rebate, direct subsidy, export credit, lower interest rate and guarantee requirement, and special fund, etc. (Ahmed and Brennan, 2019a; Faroque and Takahashi, 2015). Marketing support entailed marketing assistance to export new products; develop contact with foreign buyers; participate in national and international trade fairs, export workshops and seminars; and overseas promotion of firms' products (Ahmed and Brennan, 2019a; Faroque and Takahashi, 2015). The measure of nongovernment support combined three items, i.e., marketing assistance from exporters' associations, marketing assistance from other institutions like buying houses, and financial assistance from private banks and insurance companies (Sousa *et al.*, 2008). The mean values of benefits obtained from export supports were calculated to assess their impact on EIFs' performance.

Export financial performance. Among various measures of firms' export performance, economic dimensions, incorporating export profitability, export sales, export sales growth and export intensity, are most frequently utilized (Chen *et al.*, 2016). Consistent with the literature, this study considered EIFs' export financial performance as the dependent variable, and measured this with three items, i.e., export sales volume, export sales growth and export profitability (Katsikeas *et al.*, 2000).

Moderating and control variables. Firm-level characteristics, i.e., firms' age and size, were analyzed as moderators, whereas firm age, firm size, and degree of internationalization

(DOI) were included as controls considering their significance in firms' export performance evident in prior studies investigating EIFs (e.g., Ahmed and Brennan, 2019a; Ahmed and Brennan, 2019b; Faroque and Takahashi, 2015). Firm age was measured by how long a firm was operating since all firms in the RMG industry of Bangladesh are committed to export at their commencement. Considering that the main divergence occurs between the growth and mature stages of a firm's lifecycle, this study focused on a general two-stage internationalization, i.e., early (new firms) and later stages (old firms) (e.g., Carnes *et al.*, 2017). The later stage captures EIFs' internationalization activities that occur after their first foreign operations. Firm size was measured by the number of employees while DOI was measured by the number of countries a firm was exporting to (Oviatt and McDougall, 1994).

5.3 Respondents' and firms' profile

Most of the respondents (91%) occupied managerial or senior executive positions with sufficient knowledge over export activities; 21% of them had up to five-years of industry experience, 34% had six to ten, and the remaining 45% had more than ten years of industry experience. Regarding respondents' working experience, about 60% had up to five years, 29% had six to ten, and the remaining 11% had more than ten years of job experience in the incumbent firm. Most of the respondents were educated having either graduation (35.4%) or postgraduate (48.4%) degrees. As far as the distribution of the ownership structure of the sample firms is concerned, most of the firms were operating under sole proprietorship (39%), followed by partnership (25%) and private company (32%) arrangements. Regarding the size of the firms, more than half of the sample had up to 500 employees. Concerning the distribution of international scope of responding firms, 25% of the firms had been exporting up to three, 35% up to six, 20% up to nine, and the remaining 20% to ten and more international destinations. Finally, the age distribution of the firms shows that almost 60% of the firms were established in last ten years. The characteristics of the sample firms are presented in Table I.

[Insert Table I about here]

5.4 Reliability and validity

Reliability of the constructs was assessed with Cronbach's alpha. Traditionally, reliability coefficients of 0.70 or higher are considered acceptable (Nunnally, 1978). All Cronbach's alpha values for multi-item constructs are well above 0.70. Therefore, the theoretical constructs used in this study shows good statistical properties (shown in Table I). Construct validity was assessed by item loadings on the scales. A loading of 0.5 is the suggested minimum level for item loadings on established scales (Bagozzi *et al.*, 1991). As reported in Table II, factor loadings of all the items in this study are above 0.50, thereby suggesting the statistical significance of relationships between the items and the constructs.

[Insert Table II about here]

5.5 Nonresponse bias, common method bias and multicollinearity

Although a high response rate can lessen the impact of the non-response bias (Ahmed and Brennan, 2019b), this research followed the extrapolation procedure by comparing the responses received from the early and late respondents (Armstrong and Overton, 1977). An independent sample t-test was undertaken from which no significant differences between two groups were observed. To check for common method bias, Harman's single-factor test was

performed from which it was evident that no single factor accounts for the majority of the variance (Ahmed and Brennan, 2019b). Potential multicollinearity was checked with correlation coefficients and variance inflation factors (VIFs). Correlation coefficients (reported in Table III) and VIFs (between 1.36 and 1.59) suggest that multicollinearity is not of concern.

[Insert Table III about here]

6. Analysis and results

To test the hypothesized relationships, hierarchical regression analysis was incorporated. All the measures involved in multiplicative interactions was mean-centered to reduce potential multicollinearity problem (Aiken and West, 1991). The results of the regression analysis are presented in Table IV. Hypothesis testing using the hierarchical regression technique involves the addition of control variables at the first step. Model 1 is the base model that contains the control variables. As expected, a significant positive effect is present between firm size and EIFs' export performance across all regression models. This finding is consistent with prior research that found a positive association between firm size and firms' international performance (e.g., Benito-Osorio *et al.*, 2016). Similarly, the effect of DOI on EIFs' export performance is positive and significant, which is in line with past research. For example, Cieřlik *et al.* (2015) noted a positive effect of international market scope on Polish firms' initial export performance. However, firms' age is not found to affect export performance which is also supported by prior studies (e.g., Preece *et al.*, 1999).

Model 2 and 3 analyzed two independent variables, government and nongovernment institutional support, respectively, whereas model 8 investigated their resource-bundling effects. The standalone effect of government and nongovernment assistance are positive and significant, supporting H1 ($\beta=0.204$, $p<0.001$) and H2 ($\beta=0.184$, $p<0.001$), and the beneficial role of home-country's institutional support on firms' international performance (e.g., Falahat *et al.*, 2020; Sadeghi *et al.*, 2019). The resource-bundling impact of these two sources of export assistance also has significant positive impacts on EIF's financial performance, and thus H3 ($\beta=0.212$, $p<0.001$) is accepted. More importantly, the R^2 value (0.226) of this model is higher than that of models 2 and 3 (0.171 and 0.194, respectively), which indicates the joint effect is significantly stronger than the individual impact, thereby demonstrating the catalytic role of resources stemming from diverse sources of institutions (public and private) in firms' export performance (e.g., Coudounaris, 2018).

Models 4 to 7 examined the moderating role of firm's age and size for standalone institutional support. Firm size positively moderates the relationship between government assistance and firms' export performance, thereby supporting H4 ($\beta=.123$, $p<0.01$). Similarly, firm size has a positive moderating impact on the nongovernment support-performance association ($\beta=.078$, $p<0.05$), and thus supports H5. Since age is not significant for individual government or nongovernment support, both H6 and H7 are rejected. Finally, models 9 and 10 analyze the moderation of firms' age and size on the resource-bundling effects, and show that only age has a significant positive impact, so H9 is supported ($\beta=.082$, $p<0.05$) but in an opposite direction. The assumption (H8) around the moderating role of firms' size in resource bundling is not supported.

[Insert Table IV about here]

7. Discussion

The findings show that government and nongovernment institutional support have standalone positive effects on EIFs' performance. While the beneficial role of government assistance in exporting firms' performance is supported by previous research (e.g., Appiah *et al.*, 2019; Chabowski *et al.*, 2018; Falahat *et al.*, 2020; Freixanet and Churakova, 2018, etc.), this study demonstrated that nongovernment assistance also has a significant positive impact (implied by other studies, e.g., Cardoza *et al.*, 2016; Costa *et al.*, 2017; Sousa *et al.*, 2008). Similarly, Hoque *et al.* (2016) found that the training offered and meetings held by the BGMEA is one of the major sources of market knowledge, especially for RMG firms lacking access to buyers' tacit knowledge. Faroque and Takahashi (2012) shed some light on the influence of quasi- and nongovernment export assistance on firms' performance but their analysis did not distinguish between government and nongovernment types of support. Second, the resource-bundling effect of government and nongovernment institutional support is stronger than their individual impact. When static and systematic government assistance is combined with reciprocal and more relational type of nongovernment institutional support, the resource-bundling impact is amplified, reflecting in export sales volume, growth and profitability.

Likewise, Baert *et al.* (2016), Coudounaris (2018), and Wiklund and Shepherd (2009) concluded that when resources (both internal and external) are bundled, they will affect firm performance positively. Particularly, Coudounaris (2018) in a conceptual study showed the positive moderating effect of the awareness and use of EPPs (derived from both public and private institutions) on the relationship between the firms' resources and capabilities and export performance. Wiklund and Shepherd (2009) stressed the importance of external resources by arguing that, resources currently outside a firm must be acquired and integrated with internal resources under the firm's control to realize superior performance. This resource combination activity can be even more valuable for firms operating in dynamic environments (Eisenhardt and Martin, 2000; Wiklund and Shepherd, 2009; Zahra *et al.*, 2006). According to Wang and Zajac (2007), firm can realize synergies by combining complementary resources and capabilities. Our findings extend this knowledge stream by showing that when external resources from government and private institutions are combined, they can result in superior export performance of EIFs. Consistent with past research, we argued that successful initiation and managing of activities in international markets require firms to bundle different types of resources (cf., Fernández and Nieto, 2005).

Firm's size positively moderates the relationship between government assistance and performance, which concurs with existing research (cf. Charoensukmongkol, 2016; Ipek and Tanyeri, 2020; Krammer *et al.*, 2018; Muralidharan and Pathak, 2017; Sadeghi *et al.*, 2019). Additionally, the results show that firm size has a positive moderating effect on nongovernment support. Large firms, having greater export sales and valuable assets, get easier access to loans offered by public and private financial institutions (ILO, 2016; Sinkovics *et al.*, 2018). They may benefit more from marketing assistance, particularly by participating in foreign trade fairs for market development, facilitated by their financial, human and operational resource endowments. This means small firms suffer from the liability of smallness not only during internationalization (supported by numerous IE studies, e.g., Cavusgil *et al.*, 2014; D'Angelo and Buck, 2019; Faroque and Takahashi, 2015), but also in accessing and realizing performance benefits from institutional support (suggested by an emerging stream of IB and IE research, e.g., Charoensukmongkol, 2016; Krammer *et al.*, 2018; Muralidharan and Pathak, 2017; Jiang *et al.*, 2020). The finding of this study confirms that larger EIFs will receive more

benefits from domestic institutional support mainly because they possess greater resources and capabilities to manage the resources derived from institutional support (e.g., Ngo *et al.*, 2016).

Firms, especially SMEs, in developing countries face barriers in accessing export assistance (Durmuşoğlu *et al.*, 2012). Sinkovics *et al.* (2018) found that, larger RMG manufacturers in Bangladesh possess prior business experience and political ties that assisted them to alleviate (or at least bypass) significant constraints like shortage of funds. Access to credit facilities is determined by the political patronage and family influence of firm owners. According to Hoque *et al.* (2016), smaller RMG firms have resource constraints, along with limited political ties and social networks. They do not have the means to hire consultants and employees from other countries to help them develop more advanced capabilities and/or enhance existing ones. Though government institutional support is static and unrequited in nature, firms with a close relationship with government agencies have relatively easier access to certain government-controlled resources, and can add new and different elements to their resource bases (Yi *et al.*, 2013), especially in the context of emerging economies (Li and Sun, 2017).

Finally, firm's age does not moderate the relationship for standalone government or nongovernment assistance but becomes significant when EIFs bundle resources from these two diverse sources of institutional support. One reason for the finding could be that experience provides firms with in-depth tacit knowledge about which resource bundles were tried in the past, and which succeeded and why (e.g., Frankenberger and Stam, 2020). Another reason might lie in exporting firms' different approach to resource bundling based on their age (Sirmon *et al.*, 2011). Older enterprises have standardized systems, routines and procedures (Aldrich and Auster, 1986), which assist them to coordinate between different types of institutional networks in harmony. Therefore, mature EIFs will become more efficient in managing dual networks (government and nongovernment) and bundling the resources obtained from these sources with the core resources in their resource portfolio to extract superior performance.

It is interesting to notice that, despite being nonsignificant, there is a positive instead of a negative moderating effect of firm size for resource bundling. This finding is unexpected but not unusual. Ngo *et al.* (2016) also found that the link between domestic institutional attributes and export performance becomes stronger for larger and more experienced exporting firms.

7.1 Theoretical contribution

This study contributes to IE literature by demonstrating that EIFs' performance depends on both external (institutional support) and internal factors (firms' age and size). It validates the assertion by Freixanet and Churakova (2018) that institutional support (in the form of export assistance) will enhance firms' export competitiveness though the performance outcomes could depend on other variables beyond the EPPs' influence. Superior export performance is achieved through successful utilization of institutional support for enhancement of firms' resources and capabilities needed to operate internationally (Leonidou *et al.*, 2011). Despite the frequent presence of some institutional dimensions in entrepreneurship research (Sadeghi *et al.*, 2019), studies investigating the link between institutional factors and firms' international performance are limited (Muralidharan and Pathak, 2017; Zhang *et al.*, 2017). This study contributes to IE literature by exploring the influence of government and nongovernment institutional support on EIFs' performance. It examined and established the standalone and resource-bundling effects of both sources of institutional support, i.e., the

combinative impact of export assistance from government and nongovernment institutions. To the best of our knowledge, we are the first to address this important knowledge gap in IE literature, in particular, in the context of early internationalization.

Second, the study unveils the critical role of home-country institutions, especially the nongovernmental ones, in EIFs' performance. Past research drawing upon the IBV predominantly focused on the role of public and/or regulatory institutions incorporating only national EPPs (e.g., Ahmed and Brennan, 2019a; Haddoud *et al.*, 2017), which implies that the important influence of nongovernment institutions has remained under-explored. By examining support from nongovernment institutions, this paper addresses the research gap and offers new insights to both IE and IB literature. The significance of nongovernment export assistance on EIFs' performance implies that scholars of these disciplines should consider complementary sources other than only government/state to offer a comprehensive analysis of firms' export performance. To offer a critical analysis of the IB phenomena, it is extremely important to consider the role of quasi- and nongovernment institutions, along with national EPPs. Examining the effect of nongovernment support is also important to offer a holistic understanding of the mechanism through which diverse sources of institutional support act to improve an EIF's performance.

Moreover, despite its increasing attention on institutional contexts, IB research is disproportionately oriented towards the effect of host-country institutions, neglecting those in exporters' home-country (Manolopoulos *et al.*, 2018). This study extends the IBV into IE literature by offering empirical evidence that domestic institutional support is critical for EIFs' superior export performance. Specifically, it advances theoretical understanding on the critical role of bundling of complementary institutional resources that EIFs acquire from both government and nongovernment institutions in the domestic environment. Since the resource-bundling effect of government and nongovernment institutional support is found stronger compared to their standalone impact, this should be considered a unique contribution to the literature.

Third, the study extends early internationalization literature by recognizing the effect of the liabilities of newness and smallness on EIFs' performance. Cavusgil and Knight (2015) argued that, an organization's structure is salient in advancing early internationalization research. Zahra *et al.* (2018) also stated that the advantages of LAN are contingent on organizational variables, such as availability of slack resources. Nevertheless, few studies have examined the moderating impacts of organizational factors, like firm's size and age, on export performance (Ngo *et al.*, 2016). This paper analyzed if EIFs can retain the performance advantages of the individual and joint usage of different institutional support as they age and grow. According to the results, the liabilities of smallness exist in obtaining resources from standalone government and nongovernment export assistance. Though liability of newness is irrelevant in acquiring government or nongovernment assistance individually, it becomes significant when EIFs try to capitalize on the resource-bundling of these two different sources of institutional support.

This study also explains the integration of resources from diverse sources of institutional support with the mechanism of resource bundling, and thus contributes to RO research. Sirmon *et al.* (2011) emphasized the necessity of future research to evaluate how institutional contexts influence RO processes. By investigating how different institutional supports from domestic environment are combined to create competitive advantages, this study

supports the emerging assertion that resource bundling will lead to higher firm performance (cf., Carnes *et al.*, 2017; Frankenberger and Stam, 2020; Symeonidou and Nicolaou, 2018).

Finally, the conceptual framework indicates that two theoretical lenses can be combined to offer a more complete understanding of the determinants of firms' export performance (Morgan *et al.*, 2004; Yi *et al.*, 2013). The RBV primarily highlights the firm-specific attributes of exporting firms (Sousa *et al.*, 2008), whereas the IBV focuses on the impact of the institutional context in which the firms operate (Peng *et al.*, 2008). Drawing on the IBV in combination with the RBV, this study explains the external sources of EIFs' resources and the mechanism of bundling the acquired resources for greater export performance. By doing so, it responded to prior research calls to combine the RBV and IBV for a more comprehensive understanding of the exporting firms in emerging economies (Krammer *et al.*, 2018).

7.2 Managerial and policy implications

The findings have important managerial implications. First, EIFs should inspect the formal institutional dimensions in their home-country. Being aware of different but complementary sources of institutional support can enable them to acquire a large set of different resources required for successful internationalization. Second, entrepreneurs and managers need to consider a portfolio of institutional resources, particularly by paying attention to the bundling potentials of the valuable and heterogeneous resources for superior export performance. The existence of the liabilities of smallness in obtaining and using government or nongovernment support imply that, large EIFs will receive more benefits from such support in realizing performance advantages, especially when the enterprises originate in an emerging market. Exporting firms need to bundle resources from diverse sources of institutional support, i.e., government and nongovernment, to overcome the liabilities of smallness they might encounter while availing of assistance from only one source, government or nongovernment. EIFs should develop institutional ties with government and nongovernment institutions, so that they can gain access to a wide variety of export assistance. Engagement with government institutions can also allow exporting firms to make recommendations on useful EPPs that are not currently available (Leonidou *et al.*, 2011) and restructuring those that are less beneficial (Ahmed and Brennan, 2019a).

In addition, the findings offer implications for developing and emerging countries at the economy-level considering that exporting SMEs potentially improve efficiency and competitiveness and contribute to employment generation, poverty reduction, and foreign exchange earnings (Appiah *et al.*, 2019). If firms are aware of the EPPs but do not use them, this indicates a barrier related to their accessibility or exporting firms' lack of trust in the institutions (Freixanet and Churakova, 2018). To overcome the weakness of export policies, governments need to enhance the institutional context by customizing export assistance to address firm size heterogeneity (Chen *et al.*, 2016). This study offers insights into the mechanism through which diverse sources of institutional support can be combined to improve EIFs' performance. Uncovering such a mechanism could allow the policymakers in developing and emerging economies to enhance EPPs' effectiveness. States should incentivize the nongovernment institutions for providing export assistance, so they can play a more active role with an array of tailored measures. For instance, there is often a shortage of long-term credit in financial markets of many developing countries (Crawford and Church, 2019). The governments can play a key role in identifying and eliminating factors contributing to private sectors' failure to provide long-term finance to exporters.

Furthermore, government needs to design more export assistance jointly with nongovernment institutions, such as the exporters' associations and buying houses. Policy makers should design, develop and deliver programs that will require exporting firms to equally work with government and nongovernment institutions. Export policies could be designed through a collaboration among the public and private institutions to reach a consensus about the institutional support needed by export-oriented industries (International Trade Forum Magazine, 2009). Specific business promotion council could be formed for the promising export industries under the Ministry of Commerce as a joint initiative of government and private agencies, which will help both parties to look after their own agenda and orchestrate the resources in a single bundle of export assistance. Special economic zones through public-private partnerships could be created; to attract investment from the private sectors, incentives like reduced income tax and exemptions from VAT payment might be introduced (Akhmetshina *et al.*, 2017). A public-private collaboration to offer institutional support will improve the effective exploitation of various export assistance, such as low-interest loans and foreign market information (Leonidou *et al.*, 2011).

8. Conclusion, limitations and future research

Drawing insights from the IBV, the RBV and the RO perspective, this study analyzed how government and nongovernment sources of formal institutional support, individually and jointly, affect EIFs' export performance. It also examined the influence of institutional support on EIFs' performance with moderation of firm age and size. We collected primary data from 705 apparel exporting firms in Bangladesh and incorporated hierarchical regression as the primary method of analysis. According to the findings, the credit for firms' superior export performance should go to nongovernment institutions as well as to government ones. The findings also demonstrated that firms' size positively moderates the individual government and nongovernment assistance-performance relationships, while firm age positively moderates the resource-bundling effect. Based on the unique findings, this study offers academic, managerial and policy implications.

However, similar to any empirical research the study has a few limitations. First, it incorporated cross-sectional data. A longitudinal research design could be adopted by future studies to allow for the time lag required for export performance outcomes. Second, it investigated the effect of institutional support with moderation of firm's age and size. Future researchers might examine the impacts of institutional support by incorporating mediating variables (e.g., Faroque *et al.*, 2021b; Faroque and Takahashi, 2012; Leonidou *et al.*, 2011; Haddoud *et al.*, 2017; Sharma *et al.*, 2018). Considering that an entrepreneur's experience in assembling and orchestrating constellations of resources can be critical for firms' performance (Baert *et al.*, 2016; Symeonidou and Nicolaou, 2018), future studies could also incorporate various types of entrepreneurs' prior knowledge to analyze the resource-bundling role of institutional support. According to Frankenberger and Stam (2020), resource bundling enhances a firm's performance when it possesses human capital with prior industry experience.

Different institutions support firms in their internationalization and contribute to their export performance. This study investigated the role of formal institutions, leaving the significance of informal institutions which can also have important performance implications. Exporting firms that are located in a domestic environment where market-supporting institutions are under-developed might need to utilize informal institutions, such as social networks and political ties, to gain access to critical institutional support for superior performance (Charoensukmongkol, 2016; Sadeghi *et al.*, 2019). When formal institutions are

inadequate, informal mechanisms may serve as substitutes to facilitate economic activities (Peng, 2003). Moreover, though both domestic and foreign institutions are beneficial to firms' superior performance, the role of the latter (e.g., foreign regulatory institutions) should be analyzed, with that of the former, to offer a holistic knowledge of the influence of formal institutional dimensions. There are nongovernment institutions (e.g., overseas buyers, consultancy firms, designers, experts, etc.) beyond those analyzed in this study, which may also play an important role in firms' early internationalization. Incorporating a more comprehensive measure of institutional support is also left to the scope of further research. Another important aspect which is beyond the scope of the current study and left for future research is to explore the interaction between complementary institutional resources and organizational resources, and their interaction effects on EIFs' performance.

The model of the study incorporated three control variables, firm size, firm age and DOI, whereas other internal and external variables could have been considered. Some might argue that incorporating both firms' age and size as moderators may not be necessary since EIFs are relatively young. Nonetheless, the sample included young and mature firms as well as SMEs and large enterprises (as shown in Table I). Lastly, the sample of this study might have a selection bias, i.e., firms that performed well in the past are more likely to get greater access to government and nongovernment institutional support. The findings suggest that large RMG exporters are preferred by both government and nongovernment institutions for the allocation of export assistance in an emerging market. Therefore, a careful interpretation of the findings is recommended.

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Endnotes:

ⁱ Distinctive differences exist between INVs and born-globals with regard to speed, scope and extent of internationalization (Jiang *et al.*, 2020).

ⁱⁱ Capabilities/competencies are higher-order resources that are organizationally embedded and non-transferable and their purpose is to enhance the productivity of other resources held by a firm (Carnes *et al.*, 2017).

ⁱⁱⁱ As this study focuses on institutional support as a whole rather than institutional network, the concept of institutional networking was not elaborated.

Table I. Characteristics of the sample firms

Characteristics	Number of Enterprises	Percentage (%)	Cumulative
<i>Number of employees (size)</i>			
≤ 100	118	16.7	16.7
101-250	85	12.0	28.7
251-500	163	23.1	51.8
501-1000	113	16.0	67.8
>1000	226	32.0	100
<i>Number of export markets</i>			
1-3	176	25.0	25.0
4-6	244	34.6	59.6
7-9	142	20.1	79.7
10 and over	143	20.3	100
<i>Age</i>			
1-5	178	25.2	25.2
6-10	238	33.8	59.0
11-20	220	31.2	90.2
20+	69	9.8	100

Table II. Descriptive statistics, details of measures, standardized factor loadings and reliability tests

Constructs/items	Standardized factor loadings
<i>Government assistance (Alpha=.841)</i>	
Financial support from government	.929
Marketing support from government	.929
<i>Nongovernment assistance (Alpha=.722)</i>	
Financial support from private commercial banks and insurance companies	.799
Marketing support from other institutions like export trading companies	.773
Marketing support from exporters' association	.833
<i>Export performance (Alpha=.724)</i>	
Export sales volume	.832
Export sales growth	.847
Export profitability	.726

Note: All standardized coefficient loadings are significant at $p < 0.01$.

Table III. Correlation matrix

	1	2	3	4	5	6
1 Govt assistance	-	-	-	-	-	-
2 Nongovernment assistance	.543**	-	-	-	-	-
3 Firm age	.068	.019	-	-	-	-
4 Firm size (log)	.122**	.031	.421**	-	-	-
5 Degree of internationalization (DOI)	.133**	.005	.478**	.546**	-	-
6 Export performance	.148**	.234**	.228**	.298**	.327**	-
Mean	4.236	5.0180	10.77	6.267	2.36	5.01
Std. deviation	1.763	1.285	7.163	1.712	1.07	.989
Minimum	1	1	1	1	1	2.33
Maximum	7	7	36	10.82	6	7

Note: *Correlation is significant at the 0.05 level (two-tailed); ** Correlation is significant at the 0.01 level (two-tailed).

Table IV. Results of regression analysis (N=705)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Controls										
Firm age	.061 (1.424)	.059 (1.412)	.053 (1.283)	.059 (1.410)	.067 (1.617)	.066 (1.272)	.052 (1.269)	.049 (1.209)	.012	.055(1.329)
Firm size	.157** (3.491)	.172*** (3.899)	.174*** (3.994)	.173*** (3.997)	.158*** (3.640)	.173*** (3.978)	.175*** (4.049)	.169*** (3.967)	.180*** (4.134)	.160** (3.382)
DOI	.212*** (4.557)	.232*** (5.088)	.221*** (4.912)	.220*** (4.884)	.215*** (4.814)	.221*** (4.915)	.218*** (4.864)	.217*** (4.916)	.226*** (5.034)	.221*** (4.898)
Single effects										
Govt. assistance		.204*** (5.603)	.102* (2.387)	.096* (2.221)	.080 (1.867)	.103* (2.402)	.110* (2.564)	.063 (1.467)	.097 (2.259)*	.098* (2.258)
Nongovt. assistance			.184*** (4.331)	.186*** (4.397)	.190*** (4.502)	.188*** (4.271)	.164*** (3.776)	.316*** (6.452)	.191*** (4.492)	.191*** (4.377)
Interaction effects										
Govt. assistance x Age				.053 (1.492)						
Govt. assistance x Size					.123** (3.412)					
Nongovt. assistance x Age						.025 (.712)				
Nongovt. assistance x Size							.078* (2.142)			
Govt. assistance x Non govt. assistance								.212*** (5.122)		
Govt. assistance x Non govt. assistance x Age									.082* (2.073)	
Govt. assistance x Non govt. assistance x Size										.029 (.707)
R ²	.130	.171	.194	.197	.209	.195	.200	.226	.200	.195
Change in R ²	-	.041	.023	.003	.012	-.014	.005	.026	-.026	-.005
F-value	32.030***	33.006***	30.885***	26.158***	28.105***	25.803***	26.647***	31.123***	26.587***	25.801***
VIF	1.360-1.596	1.360-1.022	1.362-1.430	1.372-1.021	1.375-1.043	1.362-1.006	1.362-1.053	1.362-1.422	1.680-1.261	1.368-1.305

Note: * $p < .05$; ** $p < .01$; *** $p < .001$.

Figure 1: The relationships between institutional support and firms' international performance

